

INTERNSHIP REPORT

ON

“EFFECTIVE CASH FLOW MANAGEMENT

OF

BRITISH AMERICAN TOBACCO BANGLADESH”





Internship Report

Submitted to:

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Letter of Transmittal

February 12th, 2015

Ms. Sayla Sowat Siddqui

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Subject: Submission of Internship report on British American Tobacco.

Dear Madam,

It is a great pleasure to present to you my internship report on **Efficient Cash flow Management of British American Tobacco Bangladesh** which I have diligently prepared during my internship attachment period with the Treasury team of Finance department of British American Tobacco Bangladesh from 28th August, 2014 to 28th December, 2014.

I have gained the most interesting & informative experience while working for my internship. My endeavor for learning about the financing efforts of BATB has not only been fruitful, but it also has given me a new insight into the requirement of situation based treasury and corporate finance perspective. I prepared the report on Efficient Cash flow Management of BATB by incorporating vast amounts of information and some with confidentiality tag into a concise report was indeed a challenge for me.

I, therefore, convey my thanks to you for your kind cooperation, supervision and advice in conducting and preparing this report. I have completed the whole program with great enthusiasm. I hope you will find this report worth reading although I was not able to accumulate all types of information due to some limitations I earnestly hope that the report will meet the standards that the institute has set for us. I am always available for further query and clarification.

Sincerely,

Sultana Shayera Andaleeb

Acknowledgement

Firstly my heartfelt thanks to Almighty Allah for giving me the wonderful opportunity to work at British American Tobacco Bangladesh and the ability to prepare this report successfully.

This report would not be possible without the help of some kind-hearted people at British American Tobacco. I convey my deepest appreciations to my line managers **Mr. Mukit Ahmed, Ms. Ruhina Rahman, Ms. Sadia Hossain, Mr. Debasish Barua** and **Mr Ahmed Shafquat Noor** for their continuous guidance and support in preparing this report.

I would like to convey my deepest gratitude to my faculty **Ms. Sayla Sowat Siddqui** for her continuous support and valuable suggestions, cooperation and assistance in the preparation of this report.

Lastly, I would like to thank my family, friends and well-wishers who have supported me till the end of my work and report.

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Executive Summary

This report is made focusing on how the Finance department manages the cash flow efficiently of British American Tobacco Bangladesh. In order to complete my Internship program for Bachelors of Business Administration, I had a wonderful experience of working for a period of three months in British American Tobacco Bangladesh. First part of this report is based on the introduction which includes topics like methodology and limitation of the study. Basically it defines the way and background of the study to prepare the report. The next part will include a glimpse of the history of British American Tobacco Bangladesh, its mission and vision, product offerings, competitors and distribution network and various departments followed by its operational network organogram. This report will also give brief information about the different departments at BATB and also the daily activities Finance department of British American Tobacco.



CHAPTER-01
INTRODUCTION
OF
BRITISH AMERICAN TOBACCO



1.0 Introduction of the Company

Bangladesh is one of the largest tobacco consuming countries in the world. A good amount of tobacco consuming population is prevalent here. The tobacco consumption is not only limited in the male gender but also a good amount of females are consuming it. Over 87% of the population of Bangladesh consumes tobacco in some form whether smoked (both cigarettes and biris) or smokeless amongst which with a higher percentage of 58% is men and the other 29% is women. In 2012, an estimated 46.3 million adults used some form of tobacco product, smoked or smokeless. Most smokers are male — 28.3% of adult men smoke manufactured cigarettes and 21.4% smoke biris. In contrast, smokeless tobacco use is substantial across both genders, while women having an upper hand with 27.9% being women and 26.4% of men using some form of smokeless tobacco. Most smokeless tobacco use is of betel quid with tobacco (zarda) nevertheless other forms of smokeless tobacco products, including gul, sadapata, and khoinee, are also commonly used.

Tobacco Industry of Bangladesh:

There are two main tobacco industry associations in Bangladesh. These are- Bangladesh Cigarette Manufacturers Association (BCMA) and Bangladesh Biri Manufacturers Association (BBMA) representing the industry.

The main cigarettes manufacturers in Bangladesh are:

- British American Bangladesh Tobacco
- Dhaka Tobacco Industries
- Abul Khair Tobacco
- Nasir Tobacco
- Azizudin Industries
- New Age Tobacco.

The main biri manufacturers are:

- Akij Biri
- Abul Biri
- Nasir Biri
- Karikar Biri
- Aziz Biri and Hundreds of local biri manufacturers.



British American Tobacco Bangladesh Ltd.

British American Tobacco Bangladesh is a member of the British American Tobacco Group that is based in UK and one of the leading players in the global tobacco business. British-American Tobacco has been in business for more than 100 years, trading through the turbulence of wars, revolutions and nationalizations as well as all the controversy surrounding smoking. The business was formed in 1902, as a joint venture between the UK's Imperial Tobacco Company and the American Tobacco Company founded by James 'Buck' Duke. Despite its name, derived from the home bases of its two founding companies, British American Tobacco was established to trade outside both the UK and the USA, and grew from its roots in dozens of countries across Africa, Asia, Latin America and continental Europe.

British American Tobacco has 85,000 employees selling more than 300 brands in more than 180 markets worldwide. Today, the company produces some 2 billion cigarettes every day. BATB has introduced hundreds of brands, both local and international, throughout the world.

1902: Imperial Tobacco Company of the United Kingdom and The American Tobacco Company of the United States formed a joint venture – the 'British- American Tobacco Company Ltd'. 1910: Operations extended to West Indies, India, Ceylon (Sri Lanka, East Africa, Java, Malaya (Malaysia) and Nigeria. 1911: British American Tobacco listed on the London Stock Exchange. 1914: Acquired Brazilian tobacco company –Souza Cruz. 1927: Entered the US market through purchase of Brown & Williamson. 1929: Rothmans listed on the London Stock Exchange. 1930: Period of growth for both Rothmans International and British American Tobacco. 1960s/70s/80s: Period of diversification for British American Tobacco. 1976: Group reorganized under new holding company –B.A.T. Industries & BATUKE 1990s: B.A.T. Industries focus on tobacco & financial services. 1993: Rothmans emerges as pure tobacco company after reorganization. 1994: Reorganization of 4 tobacco companies within B.A.T Industries. 1995: Rothmans 100% owned by Richemont. 1998: British American Tobacco plc listed as a FTSE 100 company on the International Brands include Dunhill, Kent, Lucky Strike, Pall Mall, Vogue, Rothmans, Peter Stuyvesant, Benson & Hedges, Winfield, John Player, State Express 555, KOOL, and Viceroy.



However, British American Tobacco does not necessarily own the rights to all of these brands in every nation they are marketed. Local brands owned by British American Tobacco include, Belmont (Colombia, Chile and Venezuela), Jockey Club (Argentina), Stradbroke (Australia), pt:Hollywood (cigarro) Hollywood (Brazil), du Maurier (Canada), Prince (Denmark), North State (Finland), HB (Germany), Sopiana (Hungary), Wills (India), Ardath (Indonesia), Carrolls, Carrolls Kings, Grand Parade, Black Allen (Germany), Sweet Afton, Major (Ireland), Boots, Alas (Mexico), Gold Leaf (Pakistan), Jan III Sobieski (Poland), Yava Gold (Russia), Courtleigh (South Africa), Parisienne (Switzerland), Maltepe (Turkey) and Xon (Uzbekistan), Craven A (Vietnam and Jamaica) as well as BAT snus, Holiday, Freedom and Park Drive (New Zealand) Royals (UK), Embassy (Kenya), Viceroy, Newport, Lucky Strike in Dominican Republic. On 11 June 2006, R. J. Reynolds Tobacco Company announced that it would be manufacturing Camel brand snus in Sweden in partnership with British American Tobacco; the product would be test-marketed in Portland, Oregon.

More than a billion people across the globe enjoy smoking tobacco. Among them one in every seven chooses a British American Tobacco brand. Extent of operation of British American Tobacco Company is given below:

- America-Pacific (USA, Japan, South Korea)
- Asia-Pacific (China, Indo-China, Taiwan, South-East Asia, Australasia)
- Europe (50 countries including Russia)
- Latin America (Central & South America, Mexico, Caribbean)
- Africa (More than 50 countries)
- MESCA (Middle East, South & Central Asia)

A brief Overview of 25,189 million pound of BAT Operation all over the world gross revenue

| | |
|---------------------|-----------------|
| Net revenue | £9,762 million |
| Net Profit | £2,048 million |
| Adjusted EPS | 92.08p |
| Dividends per share | 29.00p |
| Global market share | 16 per cent |
| Assets | £17,776 million |



| | |
|----------------------|----------------|
| Stockholders' equity | £6,688 million |
|----------------------|----------------|

Table:1 Overview of BAT Operation

One of the key turning points of the company's business came in 1999 with the merger of British American Tobacco with Rothmans International. The official announcement of merger between the two industry giants was made on 11 January 1999. This global merger was completed on 7th June 1999. This brought the 2nd & 4th largest players together which boasted a combined volume exceeding 900 billion cigarettes around the world with some 120,000 employees and a world-wide market share of 16 percent (Phillip Morris has a 17 percent share). The merger was a major step forward in British American Tobacco's vision of becoming the world's leading International Tobacco Company. Following this turning point the global integration program (GIP) was launched which enabled the company to operate under maximum resource utilization reducing the number workforce and implementing superior process controls.

BAT has a plan to build their business in three ways:

- Organic growth in their existing markets
- Quick and effective entry into new markets and
- Potentially attractive acquisitions, joint ventures or other strategic alliances.

BRITISH AMERICAN TOBACCO BANGLADESH

British American Tobacco Bangladesh Company Limited is one of the largest private sector enterprises in Bangladesh, incorporated under the Company's Act 1913 on 2nd February 1972 and since then it has been the market leader in the country. Currently the company employees about 275 managers and 1000 people directly and further 40,000 indirectly as farmers, distributors and suppliers. In its effort to create an international market for Bangladeshi leaf tobacco the Company has been exporting tobacco to markets in developed countries like UK, Germany, Poland, Russia and New Zealand.

BATB markets major International cigarette brands like Benson & Hedges, Pall Mall and John Player Gold Leaf, which are complemented by local brands such as Capstan, Star and Scissors. The company also markets imported cigar brand called "Dunhill" and exports processed leaf to



various countries around the world. Recently it has launched its new brand called 'switch'. It has two flavors and has been launched in February 2012.

Afforestation is the pet project of the company, which has started in 1980 and till now the company has planted 42 million trees across the country. In this regard, British American Tobacco Bangladesh has won many awards during last 28 years but the most prestigious of all are Prime Minister Afforestation Award in 1993, Presidents Award in Agriculture in 1975, Sports Journalist Award and FAO Award in 1998. Besides this, the company is also involved in vegetable seed multiplication project, Dishari- a basic IT education project in rural area for poor students and other social and cultural activities throughout the country. The Company has its Head Office and the cigarette factory in Dhaka, a green leaf threshing plant in Kushtia, a green leaf re-drying plant in Manikgonj and a number of Leaf and Sales offices throughout the country.

The Vision and Mission of BATB

British American Tobacco Bangladesh is very optimistic about their future in Bangladesh as well as the world as a whole. The company has always been setting challenging targets and achieving them at regular basis. Their vision for the future is clearly defined. The vision is ***“to achieve Leadership of the Global Tobacco Industry”***- in order to create long term shareholder value. To make this vision into reality people at BATB are working on four strategies, growth, productivity, responsibility and winning organization.



Figure 01: Vision & Mission of BAT



The vision of BATB can be both quantitatively and qualitatively described. **Quantitatively**, the company seeks volume leadership among the international competitors and in the longer term, value leadership. BAT recognizes that it is adult customers who will determine this and that, therefore, BAT must be consumer driven.

Qualitatively, BAT seeks to be recognized as industry leaders and to be the partner of first choice for government, NGO's, investors and potential employee recruits. The company will also do this by being a responsible tobacco group, with sustainable business, outstanding people and superior products.

There are certain missions the organization is heading to accomplish. They are:

- Growing company share of the total tobacco market
- Dominating key identified segments

Historical Background of BATB

The journey of this company started long back. BATB was established back in 1910 as Imperial Tobacco Company Ltd. With head office in Calcutta. In the very beginning, Imperial Tobacco Company (ITC) launched a branch office at Moulovibazar, Dhaka in 1926. Cigarettes were made in Carreras Ltd., Calcutta. Imperial and Carreras merged into a single company in 1943. After the partition in 1947, cigarettes were coming freely from Calcutta, but introduction of customs barriers in 1948 between India and Pakistan interrupted the smooth flow of cigarettes from Calcutta to East Pakistan. In March 1, 1949, Pakistan Tobacco Company (PTC) came into existence with head office in Karachi; with the assets and liabilities of ITC Limited held in Pakistan. The then East Pakistan Office was situated in Alico Building, Motijheel. In order to meet the increasing demand, the first factory in the then East Pakistan was established in Chittagong in 1952. From this time, onwards requirements for cigarettes for East Pakistan markets were met from products manufactured in Karachi. In 1954, PTC established its first cigarette factory although high-grade cigarettes still came from West Pakistan. The Dhaka factory of PTC went into production in 1965. After the war between India and Pakistan in 1965; the import of tender leaf from India for the production of Biri was stopped. This gave a big boost to cigarette business. It was at that time the East Pakistani entrepreneurs set up 16 cigarette factories in this region.



1910

The company started its journey as Imperial Tobacco Company Ltd.

1949

Pakistan Tobacco Company PTC) was formed to meet the regional cigarette demand

1954

The first factory in Bangladesh (then East Pakistan) was setup at Fauzdarhat in Chittagong

1965

The second factory of PTC (then East Pakistan) went into production in Mohakhali, Dhaka

1972

After Independence Bangladesh Tobacco Company (BTC) was formed on Feb 2, 1972

1998

On March, 1998 the company changed its name to British American Tobacco Bangladesh to align itself with the global British American Tobacco

2006

The Company is leading Bangladesh's cigarette industry with a market share of more than 50%

After independence, Bangladesh Tobacco Company (Pvt.) Limited was formed on 02 February 1972 under the Companies Act 1913, with the assets and liabilities of PTC. Shareholding position for GOB and BAT was 1:2. BTC (Pvt.) was converted into a public limited company on 03 September 1973. British American Tobacco played a pivotal role in BTC's creation in 1972 and since then has been involved in BTC's development every step of the way. To pronounce the successful relationship with British American Tobacco, BTC has changed its name and identity to British American Tobacco (BAT) Bangladesh Company Limited on March 22, 1998. The company changed its identification to establish commitment to the highest international standards.

The composition of shareholders of BATB as at 31st December, 2013 was as follows:

| Name of the shareholder | Shares held | % of holding |
|--|--------------------|---------------------|
| <i>PARENT/SUBSIDIARY/ASSOCIATE:</i> Raleigh Investment Co. Ltd., UK | 43,745,358 | 72.91 |



| | | |
|--|-------------------|----------------|
| <i>SHAREHOLDERS, WHO HOLD 10% OR MORE:</i> Investment Corporation OF Bangladesh | 6,096,310 | 10.16 |
| <i>OTHER SHAREHOLDERS, WHO HOLD LESS THAN 10%:</i> Sadharan Bima Corporation | 1,694,047 | 2.82 |
| Bangladesh Shilpa Rin Sangstha | 221,886 | .37 |
| Government of People's Republic of Bangladesh | 386,824 | .64 |
| Sena Kallyan Sanstha | 157,258 | .26 |
| Others | 7,698,337 | 12.84 |
| Total | 60,000,000 | 100.00% |

Table 02: Composition of shareholders

The parent company of BATB is called BATCO or British American Tobacco Company. They are the major shareholders of BATB. The UK-based British American Tobacco group holds 65.91% share in the company. The government of Bangladesh owns 28.7% through several of its agencies, while 5.39% is owned by other shareholders. The operations of BATB are regulated according to BATCO regulations and BATCO looks after the management aspects of BATB. BATB management is trained by BATCO and in many occasions. BATCO sends over their own management to work in BATB. BAT industries are widely known as BATCO and have two major divisions:

- Tobacco Division
- Financial Division

The following organogram shows the relationship between BATCO and BATB very clearly:





Figure 02: Relationship between BATCO and BATB

Currently British American Tobacco Bangladesh is retaining 63% of the cigarette market in Bangladesh. British American Tobacco Bangladesh is a sister concern of British American Tobacco Company (BATCO). The cigarette division is known as British American Tobacco Holdings (BAT Holdings), which operates in more than 78 countries. BATCO divided its cigarette operation in five regions. They are:

- AMPAC (America Pacific) – USA, Japan, South Korea
- ASPAC (Asia Pacific) – China, Indo china, Taiwan, South East Asia, Australasia
- Europe – 50 countries including Russia
- Latin America – Central & South America, Mexico, Caribbean
- Africa – More than 50 countries
- MESCA – Middle East and South & Central Asia

Structure of BATB

British American Tobacco Bangladesh is a public limited company. Management Director is the operational head & appointed by the British American Tobacco. Head of every department carries out their functions with the help of line managers. Different departments have different structure according to their function and responsibility.



The Board of Directors and Executive Committee (ExCo) govern the overall activities of the company. The Board of Directors is composed of 10 members who are called Directors. The Chairman heads the Board of Directors. Chief Executive of British American Tobacco Bangladesh is called the Managing Director, who is normally appointed by BAT Holdings. Managing Director of the company is the chairperson of the Executive Committee. This committee includes the head of all the functional departments.

Physical Infrastructure of the Company

The infrastructure of the company has a broader field where the company plays its important role. BATB has six Regional Trade Marketing Offices (RTMOs), 12 Regional Sales Depots, 1 Factory, 1 Green Leaf Threshing Plant, 7 Leaf Depots and a Head office consisting of Corporate Head Office and Production Head Office. The Company's Head office and Cigarette factory are located in Dhaka. A Green Leaf Threshing (GLT) Plant has been set up in Kushtia and it has started operation from April 1995. The company's products are manufactured in the factory at Mohakhali, Dhaka. The Plant Manager who reports to the Production Director at the Head Office heads Dhaka factory. The company procures tobacco leaf maintaining the international standard and it imports processed tobacco leaf for its international brands. It procures green tobacco from the registered farmers of the leaf area mainly for its local brands. The company's authorized leaf areas are located in Kushtia, Chittagong and Manikgonj. However, bulk of tobacco leaves comes from Kushtia region. The Chittagong area is under development process and it now covers Rangunia and Lama. The company operates seven leaf depots in the leaf area. Four of them are located in Kushtia region, two of them are located in CDA and other one is in Manikgonj, The Company provides all sorts of supports to the registered growers through its depot personnel. This includes technical knowhow, agricultural inputs and financial assistance. The company performs its sales and distribution operation all over the country through its six regional sales offices. They are located in Dhaka, Khulna, Chittagong, Sylhet, Bogra and Mymensingh. Each of the regions is again divided into operational areas, each of which in turn is divided into territories. To perform its sales and distribution smoothly, the company operates 10 sales depots in different locations of the country and it has 63 authorized distributors with two company run distribution houses.



Corporate Culture

The Vision that motivates BATB employees and drives their operation is the desire to extend the market leadership through world class performance across all areas of BATB business. The Four Guiding Principles of BATB are:

- Strength from Diversity

Actively utilizing diversity – of people, cultures, viewpoints, brands, markets and ideas – to create opportunities and strengthen performance.

- Open Minded

Being open to new ideas, genuinely considering others' viewpoints and not pre-judging.

- Freedom through Responsibility

The freedom to take decisions and act on them obliges BATBC to accept personal responsibility for the way they affect BATBCs stakeholders.

- Enterprising Spirit

The confidence to seek out opportunities for success, to strive for innovation, and to accept the considered risk-taking that comes with it.

Employee and Trade Union of BATB

The employees of the BATB are dynamic, self-motivated and energetic to perform any assigned job, because they are selected based on excellent academic and experience records. The company employs 1,244 permanent employees and varying number of seasonal and temporary workers as required. Each permanent employee receives remuneration in excess of TK. 36,000 per annum. Remuneration depends on the nature and conditions of work.

The workers are labeled in the following categories:

- Permanent
- Probationer
- Temporary (seasonal)
- Badli
- Casual

Trade union is established in the following company's working locations:

- Head Office and Dhaka Factory



- Chittagong Factory
- Rangpur Leaf Factory

There is a positive relationship between the company and the trade union based on mutual trust and respect. All the employees of the company belong to the trade union. When a worker becomes a member of the union, according to his request a certain amount of his wage is deducted as the union subscription fees on a check off system. Trade union election is held after every two years and governed by their respective constitutions. The terms and conditions of services of the employee are negotiated and determined through a process of collective bargaining between the company and the union. All the activities in the manufacturing unit and Green Leaf Threshing Plant ensure that work is conducted in a manner to minimize environmental pollution. GLT has won British American Tobacco's Environment, Health and Safety Merit award for the year 1995 and 1996 for achieving consecutive two years of operation with zero accident. The company also received the prestigious EHS Silver Award for 1999 without any lost time due to accident in any part of the company, which was the second year in a row.

In line with BAT's environmental, health, and safety policy, the company is involved in an afforestation program. The contribution of the company in afforestation program in Bangladesh has earned recognition in the country through winning of the Prime Minister's Trophy in 1993. In 1998, the company distributed 3.5 million free saplings in Dhaka through the Bonsai Nursery project. This program had caused more than 28.5 million trees planted or distributed till 1998 and is expected to yield around 120,000 metric tons of timber for fuel-wood, furniture making, or construction process in 1998. The Food and Agricultural Organization (FAO) has awarded British American Tobacco Bangladesh for pioneering the development of vegetable seed industry in Bangladesh. The company had started its vegetable seed multiplication program in 1990 with the technical support of FAO with a view to provide quality vegetable samplings for free distribution amongst farmers in the tobacco growing areas.

It is not enough for BATB only to contribute to the afforestation of the country. The company felt the need to promote the use of alternate wood fuel for tobacco curing by its farmers. Briquette as an alternate was introduced to the farmers to reduce their dependency on trees for



wood fuels. Briquettes are made of paddy husk and sugarcane bagasse. Briquettes can be used for cooking, in burns for curing tobacco and brick. The company promotes Briquette manufacturing in the tobacco growing areas and tries to make them easily available to the farmers.

A company's wide safety awareness program was initiated and completed in 1996. The objective of this program was to brief employees about the techniques to reduce the risk of occurrence of preventable accidents. The company's commitment to the highest level of safety practices are recognized with awards being received from the British American Tobacco Group headquarters in more than one year. Workers and management are provided with regular safety training. Hard hats are required during shift work. All movable machine parts have guards to prevent workers from accidental injury.

Corporate Social Responsibilities (CSR) at BATB

BATB has a number of different CSR activities which make them to feel proud as they are making a very good contribution in the development of this country. As they are dealing with tobacco products, which are harmful for the people and environment, so they have several initiatives to reduce the harm. BATB follows all the instructions and guidance which are prescribed by the government and other authorities, where it is very rare in case of other Bangladeshi companies.

The CSR activities of BATB are ranged from educational sector to health sector, from environment protection to community service etc. All of their CSR activities made them BEST among so many local and multinational companies all over the world. Some of the CSR activities related to education are Battle of Mind (which is organized for the university students in every year), Career Talk (Seminar for the students), Apprenticeship and Internship (For the Business Graduate students). There is also educational assistance program for the community.

BATB has a big contribution in the health sector of our country. They have Sanitation support, Primary Health care Support, Malarial Prevention etc. To make the greener Bangladesh originally greener, BATB has several big projects. In every year they give free saplings to the normal people and corporate sectors. Already they have contributed over 5 crores of saplings to the people without any cost. They also received four times national award from the government



for this project. Other than this, they have Vegetable Growing programs, Neem Decoctions, Compost Pits and Green Manufacturing programs.

Besides this, BATB has several awareness programs. As smoking is injurious to health, so they do not encourage teenagers to smoke. To popularize this they have taken awareness build up program named Youth Smoking Prevention. BATB also suggested local government to make a law which entitled that youth under 18 would not be allowed to smoke, where government planned to make the age 16. To make people more aware about HIV/AIDS, BAT has aligned with some international NGOs

BATB has also standard for the farmers who produce tobacco leaf. Besides this, to reduce the global warming they have Biodiversity program with the international NGOs. BATB also strictly follows the law which states that labor who are under aged (under 18) cannot work in the factory and they will be treated as child labor. For any country, child labor is directly treated as a crime. But in BATB, they do not have any child labor activities. They do not allow any child labor activity inside the organization.

BATB believes that these are some actions which are actually responsibility for them as a conscientious organization towards their stakeholders and the people of the society.

Tobacco Cultivation in Kushtia

Tobacco cultivation in Kushtia Leaf area was first introduced in 1967 with an area of 10 acres. It was expected to expand to 650 acres by 1971. Flue-cured and Air-cured tobacco were cultivated in Kushtia and the Leaf Department achieved self-sufficiency in cigarette tobacco by 1975. Tobacco cultivation through registered growers and procurement of the product tobacco is done through four leaf depots in Kushtia. Those depots are Meherpur, Jhenidah, Chechua and Allardarga Leaf Depot. Kushtia Leaf Factory stands on 4.31 acres of land and is located at about three kilometers away from main town. The Green Leaf Threshing (GLT) plant could complete the entire leaf purchase in 1995. A team of management including the Plant Engineer, Processing Manager, Shift Manager, Quality Control Manager, Leaf Account and the Leaf Personal Manager is managing the GLT plant. The Plant Manager is the team leader of GLT management team.

Commitment to Develop the Future



British American Tobacco has over the decades consistently invested in the Bangladesh market through BATB. Thus BATB has always been in the business of manufacturing and marketing brands that meet standards found anywhere in the world.

The company believes in attracting the best talent available by offering a challenging working environment with international career development opportunities. Individuals here are entrusted with significant responsibility and autonomy, and investment in people through regular training and career development has helped to establish a culture, which encourages people to think creatively, generate new ideas and approach problems from a number of different perspectives. In the quest of becoming a World Class Company by achieving the visions, strategic imperatives and the values, the company has launched a change management program called – *Winning In Our World* in 1999. The objective is to bring about a cultural change by embedding the *WOW* Values and removal of barriers. To this effect the company has organized different workshops, employee care and development activities throughout the year with direct participation of its people.

With state-of-the-art machinery, world-class people, and a portfolio of world-beating brands, British American Tobacco Bangladesh couldn't be anything but instinctively international.

People's attitudes have changed much over the time. Without this changed attitude of excelling in their performance it would not have been possible to make so much progress. This spirit of people will help in achieving the company's Vision and Mission and ultimately to be a world class company.

Lotus notes is a highly evolved advanced communication system of BAT through which all the employees of BAT worldwide communicate among themselves. This is a hi-tech device that helps to provide quick and uninterrupted communication and factual information. Quantum is a marketing information tool with the objective of effective utilization of marketing spends through better targeting and evaluation of BATB's marketing activities. This is a strategic investment that helps BAT to achieve competitive edge in case of facing any competition. The company has implemented Tetra CS/3, a totally integrated software package that links Manufacturing, Finance, and Distribution providing one set of clearly understood information that can be used throughout the company. Apart from this software, the company uses several



other software packages for some specific purposes that can also be shared throughout the company.

Another important development with regard to accessibility of information is the implementation of the Global Enterprise Network (GEN) standard. GEN provides a standardized IT infrastructure throughout the British American Tobacco group that allows users to access their work areas from any location within the group.

Also the company has developed a system to have better control of its supply chain process. This has made a major impact in terms of automating the entire supply chain process from shipping go down to retailer, providing on-line information at every stage of the secondary supply chain.

As a company that aspires to be the world class, the company also looks at the interests of its suppliers and trading partners. A team is currently looking at how the company can support them as they strive to improve their performance.

At the end of 1993 the company adopted a change management program called MRPII, the acronym for Manufacturing Resource Planning, with the objective of becoming a world-class company with world-class systems, processes, products, and people. The strategy for “Partnership Excellence Program” is based on a clear understanding on meeting world-class performance and to achieve MRPII Class A. BATB conducted series of training for the vendors and the result was very positive in terms of quality and delivery improvements. Back in 1997, the organization was a Class C company. In 1999 it had achieved the status of Class B and in this year, 2000 the company was awarded Class A status which has made BATB the only member in BAT group to achieve A in four categories. The categories are:

1. Strategic Planning
2. People and Team
3. Planning and Controlling
4. New product development, reducing lead time
5. Continuous improvement

BATB has achieved Class A in the first four categories.



Major segments of the market and products:

The cigarette market in Bangladesh is currently divided into four major segments. These segments are referred inside BATB as:

- Premium
- Aspirational Premium
- Value for Money
- Low

After liberation, BATB, then BTC, started its journey with a few prominent brands of the contemporary time. Among the brands: Pilot, Capstan, Gold Flake, Embassy and King Stock were the most prominent. Along with that BTC also produced pipe tobacco with the brand Gold Flake. Around the times, BATB has added and subtracted many brands for the demanding situations. In 1999 and 2000, BATB had B&H (imported), SE 555, JPGL (John Player Gold Leaf), JPGL Lights, Star (filter and plain), and Scissors (filter and plain) under its portfolio of marketed brands. In 2001, BATB added the name of B&H Lights, Star Classic and London into its armory. Along with that they also started to produce the brand B&H locally. In 2002, BATB discontinued Star Classic and Scissors Plain as they failed to gain the market as expected. BATB also launched a massive campaign to rejuvenate JPGL Lights to deeply penetrate through the market. In 2003, BATB temporarily discontinued the production of JPGL Lights to look for better blends. The company has also launched a new Campaign to re-energize Star Filters with the new packaging from 14th June, 2003. This new packaging and the new campaign are expected to put a significant impact on the ongoing battle for market share between Star of BATB and Navy of Dhaka Tobacco. In the beginning of 2005, it has launched Dunhill Cigar in a selected outlet, the Pan Pacific Sonargaon Hotel.

Now if the products are distributed according to their segments then they will be arranged as below

Premium

- Benson & Hedges



Aspirational Premium

- John Player Gold Leaf (JPGL)
- PallMall
- Capstan

Value for Money

- Star

Low

- Derby
- Pilot
- Hollywood

Functional Departments in BATB:



Figure 03: Departments of BATB.

Different departments have different structure according to their function and responsibility. BAT maintains a modern organizational structure headed by Managing Director. Managing Director is the operational head and national sales manager. Head of every department carries out their functions with the help of line managers. Other positions of the organogram are



Directors, regional manager, secretary, assistant manager, area manager, territory officer, supervisor and other staffs. It has seven departments with two supporting departments. The —Board of Directors| and Executive Committee (EXCO) govern the overall activities of the company. The Board of Directors is responsible for protecting the rights and interests of all shareholders and is held accountable for the overall management of the entity.

The British American Tobacco Bangladesh Board consists of eight Directors, comprising the Non-Executive Chairman, five other Non-Executive Directors and three executive Directors which include the Managing Director. The key functions of the Managing Director are clearly defined.

The Board meets at least 6 times a year and makes decisions on key matters. The Board is responsible for the overall system of internal control for the company and for reviewing the effectiveness of these controls. The system is designed to manage risks that may impede the achievement of the company's business objectives rather than to eliminate these risks.

Responsibilities for implementing the company's strategy and day to day operations are delegated to the Executive Committee, which meets monthly. The Executive Committee is chaired by the Managing Director. The other members include the Deputy Managing Director and the functional heads of Human Resources, Corporate and Regulatory Affairs, Operations, Leaf, Brand Marketing, Trade Marketing & Distribution, Finance and Information Technology of whom three are Executive Directors. The Board Committees are namely – Audit Committee & Board Compensation Committee, each of its own terms of reference play an important role in executing the responsibility of the Board.

Corporate & Regulatory Affairs:

British American Tobacco Bangladesh is a responsible company operating within a controversial industry. At British American Tobacco, Corporate & Regulatory Affairs (CORA) works to assure stakeholders, who directly or indirectly influence the business, that British American Tobacco Bangladesh is meeting its business objectives in a manner consistent with reasonable expectations from the society of a responsible tobacco company in the 21st century. Managing regulations, prompting corporate social responsibility and driving corporate communications are the three main wing of CORA functions.



A few examples of the activities of CORA are:

To ensure the principles of Corporate Social Responsibility are embedded in every function and are driven with integrity.

To develop the best comprehensive practice approach to Social Reporting. If put simply, Social Reporting is a process for listening and responding to the stakeholders.

To maintain a good relation & continuous liaison with the media, regulators and other stakeholder groups to promote the company's image as a responsible, reputed corporate citizen.

Finance:

In a competitive business environment, a commercially astute finance function is critical for making good business decisions – for example – about which brands or countries to invest in, in evaluating and improving returns and of course, in managing the delivery of consistent profit growth to the shareholder. Finance managers within BATB are part of the decision-making team, a business partner who is consulted and involved day to day, not merely reporting results and setting budgets. Having moved beyond the 'comfort zone' of purely technical accountants, into added value decision support, The Company require people who are commercially astute, intellectually curious and passionate about business life, not just figures. Whether you are working in tax or treasury, or in the business partnership roles supporting marketing, operations and the other functions, you will need excellent communication and influencing skills to represent finance in the commercial arena. Finance department's activities within BAT Bangladesh include:

- Setting and delivering against financial objectives
- Planning and budgeting for optimal use of resources to grow the business and to satisfy shareholder expectations
- Management reporting to the Board on business performance, current and future
- Statutory reporting and support of investor relations
- Audit and business risk management
- Acting as a value adding business partner to all functions



Human Resources

The Human Resources department bears primary responsibility for creating and sustaining a winning workforce for BAT Bangladesh. What this means is providing opportunities for talented employees to feel the satisfaction and fulfillment gained through being members of a responsible, winning organization; where they are respected, rewarded and recognized; where their efforts are encouraged; where their careers are developed; where they understand the vision and strategy of the company; and they know where they fit into the bigger picture. The HR function within BAT Bangladesh takes care of three broad areas:

- Organizational development and change
- Reward
- Employee Relations

Legal

Legal and Secretarial functions is considered as the first line of defence and an essential business process of the company. The major activities of Legal and Secretarial includes litigation management, combat-illicit trade, trade marks & agreement management, in-house legal counsel, share management which is listed with two stock exchanges and operating under central depository system, company secretarial function, records management, shaping regulatory environment, trust fund management, policy compliance etc. Legal and Secretarial function also drives to ensure Corporate Governance in the company.

Supply Chain

Operations function is at the heart of BATB business, so BATB invest substantially in people and technology to ensure that the processes are state-of-the-art, highly flexible and responsive to the needs of customers and consumers alike. Working in operations means constantly having to balance the demands of availability, quality and cost. BATB people operate in a high speed environment and under tremendous pressure, so they need the strength of mind to make quick decisions, often basing them on limited information. They also need to be open to innovative solutions that can improve the processes.

Leaf

The Leaf Department is responsible for purchasing, processing, packing, shipping, and storing leaf tobacco for BAT Bangladesh. Essentially, it is the Leaf Department's job to ensure a secure,



continuous and consistent supply of tobacco at the best cost and right quality (as required by BATB Blenders) to maintain the correct taste of final products for the consumer. Therefore, the Leaf Team's skills make a significant contribution to the ongoing success and reputation of BATB brands, as well as the Company's position as market leader.



Information Technology

With the emergence of super information highway and the ever evolving technological environment, a competitive advantage is created for business. British American Tobacco Bangladesh, have a robust Information Technology team which provides critically important support service to all the other departments. At BATB Information Technology contributes to a whole range of ways, from the general application of IT to specific advice on hardware and software; from the application of telecommunications for voice, data and video to solving complex, strategic business challenges to support the business of BATB. While a robust Information Technology infrastructure is a vital component of a dynamic and world class organization, the people also have the imagination to create whole new ways of adding value to the business. Information Technology includes business area management, architecture & service delivery and IT Management.

Marketing Department

The marketing department has two main wings:

- Brand Marketing
- Trade Marketing and Distribution

While the Brand Marketing wing focuses upon the branding aspects of a product, the Trade Marketing & Distribution (TM&D) Wing focuses upon the trade and distribution aspect. These two wings are joined by the Trade Development Team (TDT).

Trade Marketing and Distribution (TM&D):

The mission and vision of the TM&D is-

“To reach out to our target consumers in the most efficient and effective way by becoming the benchmark supplier to the trade within strategic channels in every market place where we do business.”

TM&D identifies the areas in which best practice must be achieved to enable markets meet the Trade Marketing and Distribution objectives, which are:

- Create an efficient entry barrier against international competition
- Improve our benchmark supplier status to the trade pioneer among all FMCG companies.

Six Critical Factors to Achieve TM&D Mission



1. Secondary Supply Chain/ Product Management
2. POP (Point of Purchase) Management
3. Account Management/ Channel Development
4. Strategy and Planning
5. Resource Management
6. Information Management

Brand Marketing

The Brand Marketing department concentrates on satisfying consumers' needs from within the brand portfolio. Once consumers' needs are understood and evaluated, brands can be made available, accessible and desirable through strong, consistent communication. The brand marketing elements covers the adopting of products, logistics and brand marketing policies that best meet the needs of particular trade channels and strategic customers. The Brand Managers and Brand Executives are responsible for the allocated brand(s). They are responsible for all type of brand management activities.

Vision and Mission of Brand Marketing:

„Within five years to be the undisputed leader of Bangladesh tobacco market“

It also includes:

- Dominate value share
- Dominate volume share base
- Destination brand in key segments.

The mission of the wing is:

- Promise of future profit growth
- Grow quality share: ASU30
- Owning the medium and premium segment (90% share)

Core Strategies of Brand Marketing

Aggressive:

1. Expand the premium segment growth.
 - a. Internationalism, destination status & image differentiator: Youthful
2. Expand Mid segment



a. Key differentiators are international standard with affordability & distinctive image: masculinity/adventure

3. Dominate volume base

a. Build the critical mass

b. Protect BAT's leadership.

Innovative:

1. Investigate & build new segments

a. Lights

b. New brands & line extensions

2. Product enhancement

a. Packaging, spec. change & higher satisfaction

3. Creative communication

a. Focused: HoReCa (Hotels, Restaurants and Cafés), rural penetration

4. Consumer insight

a. World Class Knowledge base consumer research and market tracking.



CHAPTER-02

JOB



2. Job:

2.1 Nature of the Job:

I was appointed as Finance Intern at British American Tobacco Bangladesh. It has sub departments includes Treasury, Corporate Finance, Tax and Excise, Compliance, AR Planning and reporting. The job requires an individual who is a quick learner and able to multitask, excellent Microsoft excel skills and computer knowledge along with a set of English language fluency both written and oral. Office hours would start from 10am and continue till tasks are completed for the day.

2.2 Job Responsibilities:

Under Treasury, the main responsibility were

- to maintain the monthly sales collection month wise according to it's division along with designated bank
- to maintain account receivables of British American Tobacco
- to maintain L/C related documentations
- Clearing open items of the back log of the company
- To track export and import with inward remittance and foreign payments

Under Corporate Finance:

- Maintaining daily blocked items
- Handling distributors, vendors for clearing bill items of the company
- Payment Run on weekly basis on SAP

2.3 Different Aspect of Job Performance:

It deeply involves excellent excel skills as all files are maintained on excel, interpersonal skills for communicating and maintaining the relationship with the colleagues, vendors, distributors of BATB, being flexible for late hours when requires. All this helped me to increase my



communication skills, enhanced my technical skills as well as learning of the corporate environment.

2.4 Critical Observations:

It gives the real exposure of the work environment in a multinational or local company which will help the students to survive and compete in the real corporate world. I was always motivated enough to work hard because the management is so helpful and friendly in every aspects of the job. I was given each and every facility for my assigned works which always encouraged me to finish the works on time with a positive outcome. British American Tobacco actually follows what it believes. It provides every kind of facilities for their people which motivate people to give their best. However, the working hour is not fixed for which work life balance is hampered which requires to be maintained.

2.5 Recommendation:

- The Finance team of British American Tobacco is huge for which work load is very high which requires more competent people to ease the flow of work.
- For flexible office hours, it becomes difficult to maintain work life balanced for which there is a high turnover in British American Tobacco
- The synchronization of the work requires a bit improvement in terms of documentation of hard copies.



CHAPTER-03

PROJECT



3. Project:

3.1 Summary:

Multinational companies are giant firms with their origin in one country, but their operations extending beyond the boundaries of that nation. For several years now, globalization has assumed a prominent place in the world. No matter where one looks, it seems, there is either a multinational corporation looking to expand into some new market. A corporation can be headquartered in one nation, run manufacturing operations in another, and ship its products conveniently and inexpensively to wherever its consumers might be. Multinational corporations will demand efficiency, punctuality and dedication, things which are deadly lacking in national life today. They will demand a certain work culture from the employees as well as the employers besides offering the best of goods and services to their clientele. Such is a multinational company named British American Tobacco. I have been fortunate enough to complete my internship under the Finance department of British American Tobacco Bangladesh which is a partial fulfillment of the Bachelors degree completion as per University requirement. My report is based on how efficiently British American Tobacco Bangladesh manages the cash flow which includes my work experience with treasury and corporate finance.

3.2 Methodology

3.2.1.1 Primary Objective: Gathering the experience of working as an intern in Finance department of British American Tobacco.

3.2.1.2 Secondary Objective: Fulfilling the requirement of BUS400 course by the preparation and submission of my internship report on “Efficient Cash flow Management at BAT”



3.2.2 Data sources:

3.2.2.1 Primary sources:

Major Source of primary information was gained by actually working as intern at British American Tobacco Bangladesh.

3.2.2.2 Secondary sources:

Documents collected from website and green book of British American Tobacco and various websites.

3.2.3 Scope of information:

This project will help to know about Finance team work together to manage the efficient flow of cash all around the year at British American Tobacco Bangladesh.

3.3 Limitations:

The report is has some limitations such as strict confidentiality about financial data about the company cannot be shared.

3.4 Efficient Cash flow Management of British American Tobacco Bangladesh

3.4.1 Project:

Sales Collection:

Every month on basis of each day sales collection are deposited to the designated banks in different region. The deposit slips and bank statements of different banks of different region is posted by mail to the BAT office everyday which required entries into the excel files. After entering the sales amount, it is checked against the bank statements to see whether the transaction is reflected on the bank statements or not. If some amounts are not reflected, probable reasons were to be found out.

Export/ Import:

A yearly export/import tracker is maintained with soft copy of documentation to track all the exports on a excel file with all of its required data. This actually helps to depict how much export are done and can also forecast how much can be exported. One of the major challenges that is faced is the political turmoil for which different strategies has to be taken like pre-pone shipment or truck delivery to the distributors.



Corporate Finance:

This part mainly looks mainly the planning, reporting and billing of the entire company. The items related to different department with their expenses which requires approvals for clearing are dealt by corporate finance which is under control of BAT ASPAC Malaysia which is the regional office of the global BAT. One of the upcoming challenges will be time adjustments of Dhaka with the regional office as it will be in London from the following year.

3.4.2 Findings, Discussion & Conclusion:

3.4.2.1 Export

| VALUE FROM EXPORT (2009-2013) | | |
|-------------------------------|-------------|----------|
| Years | Value(US\$) | % Change |
| 2009 | 27367 | ----- |
| 2010 | 38791 | 41.74 |
| 2011 | 39507 | 1.85 |
| 2012 | 35189 | -10.93 |
| 2013 | 32587 | -7.39 |

Table 3: Value from export (2009-2013)

The above table shows that the export earnings from 2009-2010 has a 41.74% increase and near about 2% increase from 2010-2011. The reason for a significant increase in the quantity of the leaf was for a change in the cultivation process of Tobacco leaf which was using of artificial fertilizers instead of organic fertilizers. In 2012 and 2013, there is a 10% and 7% decrease, they could not export it because of the political turmoil in the country for which many shipments were delayed or cancelled.

| Remittance (2009-2013) | | |
|------------------------|--------------|----------|
| Year | Amount(Taka) | % Change |
| 2009 | 145521 | - |
| 2010 | 198720 | 36.56 |
| 2011 | 319769 | 60.91 |



| | | |
|-------------|---------------|--------------|
| 2012 | 348480 | 8.98 |
| 2013 | 446844 | 28.23 |

Table 4: Inward Remittance(2009-2013)

From the above table, there is an increasing trend in inward remittance from 2009-2011 from 36.56% to 60.91% as there was high production though there is a decrease in 2012 due to political turmoil but it again started to increase as the political situations got better in 2013 which is at 28.23%. The export in these five years have been heavily affected due to the change in cultivation method, political instability and exchange rate fluctuations.

3.4.2.2 Import:

| Import(2009-2013) | | | | |
|--------------------------|--------------------------|---------------|---------------|-----------------|
| Year | Wrapping material | Leaf | Total | % Change |
| 2009 | 309778 | 400162 | 709940 | - |
| 2010 | 232197 | 341942 | 574139 | -19.13 |
| 2011 | 264848 | 449232 | 714080 | 24.37 |
| 2012 | 242742 | 488367 | 731109 | 2.38 |
| 2013 | 474807 | 462996 | 937803 | 28.27 |

Table 5 : Import (2009-2013)

From the above table, it can be derived that import decreased from 2009-2010 but increased significantly from 2011-2013 as they have to import wrapping material and leaf for their premium brand “**Benson & Hedges**” and some other brand was also launched. Due to increase in demand and production quantity the imports of these particular two items increase significantly.

The export/import and local transactions all together is the cash flow of money of British American Tobacco which they try their constantly and in ought most way to manage it efficiently.

3.4.3 Discussions:

In a nut shell, British American Tobacco’s import is increasing more than the export which indicates that export need to be emphasized as we know that Bangladesh is one of the country



which produces the richest tobacco which can be exported to the other countries. This would have a positive impact on our country's export also. It also needs to use organic fertilizers instead of artificial fertilizer for the cultivation of tobacco as it is would not cause soil erosion like artificial fertilizer. Using artificial fertilizer might increase tobacco crops but would cause soil erosion which is not good as on the same soil after harvesting of tobacco, farmers harvest one or two more crops like jute. If import increasing, it would be difficult to manage the smooth cash-flow for the company. Therefore, being a legally compliance organization, they should take these matters into their accounts.



3.4.4 Recommendation:

- 1) To manage the cash flow more efficiently, well calculated forecasting and analyzing are required for export and import. It would help to reduce excess of import and would indicate when and how to increase export for the increase of inward remittance.
- 2) Need to maintain document of previous forecasting's and analyzing so that mistakes in the previous forecasting and analyzing can be rectified.
- 3) Requires more competent people and effort in the management of cash flow.
- 4) Requires synchronization of different departments for the efficient management of cash in-flow and out-flow and ways to reduce out-flow and increase in-flows.
- 5) A level of margin can be maintained which is for any predictive changes as every year Government imposes new and different regulations so that it have less effect on cash outflow.
For example: a) Inventory turnover can be increased
b) Collection of amounts that are tied up in accounts receivables which would increase the cash outflow.
- 6) Maintaining strong communication and liaison with Banks is undoubtedly an essential part of the overall finance department. Any conflict or inconvenience between these two parties might result in severe disruption in the entire cash flow management. Thus, frequent follow up is essential.
- 7) The bureaucratic chain of command such as the approval requirement of the regional office in some cases may be eliminated in order to ensure an efficient and faster mode of decision making and process flow.
- 8) A new era of banking is on its way (within the first quarter of 2016) which is Real-time Gross Settlement (RTGS) initiated by Bangladesh Bank to be installed at every bank in all parts of the country. With this technology funds can be realized in real time. As a result there will be no longer the use of pay-order, demand drafts or checks and distributors of BATB will be able to send the funds to BATB electronically in a real time mode. Thus, BATB needs to be well equipped and updated in order to embrace the benefits of RTGS and also needs to make distributors ready to accept the new changes.



3.4.5 Conclusion:

To sum up, it has been a wonderful experience working as an intern in British American Tobacco Bangladesh for last three months. I could get the glance of the real corporate world and got the chance to enhance my knowledge and competencies for Finance which would be very helpful for me in the future. This organization gives opportunity to learn, prosper towards success. British American Tobacco Bangladesh has been one of the top multi nationals in Bangladesh and hope it continues to prosper in the near future. BAT must further focus on price, quality and performance of their product lines and brands to stay competitive in the industry. Even though people are becoming more aware of the health hazards of smoking, customers who smoke on a regular basis face enormous difficulty in giving up. British American Tobacco should contribute extensively on research and development for better variety of tobacco leaves that will be less injurious for health and more cost effective for the customers like E- cigarettes.



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